

The complaint

Miss W complains that Vanquis Bank Limited irresponsibly gave her a credit card that she couldn't afford.

What happened

In March 2015 Vanquis, Miss W applied for a Vanquis credit card. She was given an initial credit limit of £500, which was later increased to £1,250 in May 2016.

Miss W began getting into difficulties with her account in August 2018. Vanquis sent her a default letter February 2019. The account was then passed on to a third party in September 2019.

Miss W says the account shouldn't have been opened for her because it wasn't affordable. She also says she shouldn't have been given the credit limit increase because she had debts elsewhere and was having difficulty managing her account.

However, to be clear, in this decision I will not be looking into the merits of whether Vanquis was right to grant Miss W the card. That's because, for reasons that our adjudicator has already given and Miss W has accepted, that part of the complaint has been brought to us too late under our rules.

Our adjudicator didn't recommend the complaint be upheld. She took the view that Vanquis's decision to approve the credit limit increase for Miss W was fair.

Because Miss W disagrees, the complaint has come to me for a final decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Vanquis will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

I think the checks that were completed showed that the increase to Miss W's credit limit was likely to be affordable. Vanquis carried out a credit search at the time that showed she had around £423 of debt but appeared to be managing her borrowing elsewhere well. Vanquis also noted that Miss W had not had a default recorded over the previous 30 months and it was 31 months since she'd received a county court judgment. For these reasons, I don't think Vanquis acted unfairly when approving the finance application.

However, it doesn't necessarily follow that because Vanquis carried out proportionate checks, it went on to make a fair lending decision. So, I've thought about what the evidence and information about the credit limit increase showed.

I think it would have been proportionate for Vanquis to have found out more about Miss W's committed expenditure, such as her living costs, before granting her the increase. I can't be sure exactly what Vanquis would have found out if it had asked. In the absence of anything else, I think it would be reasonable to place significant weight on the information contained in Miss W's bank statements as to what would most likely have been disclosed.

I've reviewed 3 months of bank statements leading up to the lending decision. I agree with our adjudicator that, whilst Miss W's level of income fluctuated during this period, she was receiving a monthly income that averaged out at not less than £1700. I've also seen that Miss W had monthly outgoings of around £1,300 and that this included some monthly committed expenditure relating to lending. I've also kept in mind what Miss W has told us about falling behind with some council tax and utility payments at the time.

The evidence and information I've seen overall demonstrates that Miss W appears to have had enough disposable income each month to make regular, sustainable repayments towards the increased credit limit. Having completed proportionate checks, I therefore think it's likely Vanquis would have discovered this too. It therefore didn't act unfairly by increasing the limit.

So, although I don't think Vanquis's actions were necessarily appropriate at all times, I don't think Vanquis's actions in increasing the limit to £1,250 caused Miss W to lose out.

My final decision

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 8 July 2022.

Michael Goldberg
Ombudsman